

Establishing Your Asking Price

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Deciding what price tag to put on your home is never easy. Price is often the determining factor for potential buyers. Location, layout and amenities are important but in the end most of us have to look at the bottom line. Many sellers like to think they can start with the price they originally paid, add a healthy mark-up and wait for the offers to roll in. A lot of those sellers will have to adjust their price once their home is on the market.

Try to put aside your subjectivity

The cherished memories you may hold of your home are basically unimportant to buyers. Usually they're more interested in creating their own memories. An unsentimental look at the market value of your home can save time and disappointment.

The amount you actually spent for home upgrades is worth mentioning in the listing information, but their reflection in the selling price can be somewhat distorted. The new carpet, paint, or deck you added may increase the value (and shorten the time your home is for sale) but don't expect to be reimbursed dollar for dollar for those renovations. As design trends change you may also find that certain renovations are either more or less desirable. (Do you remember shag?)

Arrange a Comparative Market Analysis (CMA)

It is standard practice for a seller to ask real estate agents to visit and evaluate their home. Ask for a comparative market analysis showing the selling prices of similar homes in the neighbourhood, those currently on the market and those that didn't sell. A CMA presented by an experienced agent can provide a realistic price estimate of your home. Remember however that CMAs are not set in stone. Some agents under-value your home in hopes of creating demand. Others will flatter you with over-inflated estimates in order to get your listing but later suggest a price reduction. You may want to get a number of CMAs and augment it with your own investigative work.

Conduct your own market research

When homes in your area have open houses take a look. Use this opportunity to compare your home to "the competition" in terms of price, location, square footage, and amenities. Once you look at several listings you should be able to make an educated guess as to the market value of different aspects of your home. If you are months away from actually listing your home, visiting open houses may also help you discover which renovations could be profitable and appeal to today's consumers.

Calculate the price per square foot

There are many factors to take into consideration when determining market value. Price per square foot is a good starting point. You can get a fair idea of the average price per square foot of homes in your neighbourhood by reviewing properties sold or for sale recently. Remember that there is more than one way to count square footage so it's a good idea to ask your agent what method is commonly used.

Consider market conditions

Real estate is one of the most secure investments you can make but prices can rise and fall independent of the quality of the individual properties. If you attempt to sell your home when the market dips you'll find you may have to lower the price below your expectations. Interest rates, the state of the economy and the local job market should be considered before you put your home on the market. The time between price peaks varies due to local and national market influences. These characteristics will assist you in determining if there is any market timing opportunities.

Finally, consider your own needs when setting your price. Are you in a hurry to sell? If so you may want to knock one or two percent off the market value. Is there a minimum amount you can afford to accept? If you have the luxury of time you have more leverage. Keep in mind however, that a house that is on the market too long or has a large price reduction at some point, may be viewed as "damaged" or "stale goods."

Your best strategy may be to establish a fair asking price from the start. Most buyers will make an offer lower than the listed price in a bid to see how low you'll go. However, those who have researched the market will be willing to meet you near your terms.